Primary methods of intervention are:
- Price supports
- Quantity regulations
- Subsidies

A price support is the government guaranteed minimum price of a good (example EU CAP)

Taxes
- Everything you earn and almost everything you buy are taxed
- Who really pays these taxes?
- VAT (Value Added Tax) is added to the prices of the things you buy, so isn’t it obvious that you pay these taxes?
- You’re going to discover that it isn’t obvious who really pays a tax and that lawmakers don’t make that decision.
- Tax incidence is the division of the burden of a tax between the buyer and the seller

A tax on sellers
Supply decreases and the curve $S + tax$ on sellers shows the new supply curve

Taxes and elasticity

Tax Division and Elasticity
- The division of the tax between buyers and sellers depends on the elasticities of demand and supply
- The more inelastic the demand, the larger is the buyers’ share of the tax (example Alcohol, tobacco and petrol)
- The more inelastic the supply, the larger is the sellers’ share of the tax (example workers pay most of the VAT on National Insurance contributions)

Taxes and efficiency